EXHIBIT I

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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF NEW YORK

* *

PRIDDIS MUSIC, INC.,
Plaintiff,

- against-) CA # 05-CV-0491

TRANS WORLD ENTERTAINMENT, INC.,
Defendant.

* *

CONFIDENTIAL

EXAMINATION BEFORE TRIAL OF PRIDDIS MUSIC, INC., the Plaintiff, by and through its representative, RICHARD PRIDDIS, conducted pursuant to Notice at the law offices of BOIES, SCHILLER & FLEXNER, 10 North Pearl Street, Albany, New York, on August 11, 2006, commencing at approximately 8:05 a.m. before Lynne Billington, a Shorthand Reporter and Notary Public in and for the State of New York.

A P P E A R A N C E S:

FOR THE PLAINTIFF:
McNAMEE, LOCHNER, TITUS & WILLIAMS
677 Broadway
Albany, NY 12207
By: Michael J. Hall, Esq.

FOR THE DEFENDANT:
BOIES, SCHILLER & FLEXNER
10 North Pearl Street
Albany, NY 12207
By: Robert C. Tietjen, Esq.

ALSO PRESENT:
Kenneth L. Gellhaus, Esq.
Michael Gregg

that are produced and sold mainly for different regions of the country, or do you find more it's a kind of an across the board, broad-based popularity?

A I've tried to stay mostly with broad-based. There are songs that I could do that would be focused to certain areas of the country, but I've tried to stay broad-based.

Q Why is that?

A Why have I stayed broad-based?

Q Correct.

A Again, so that I can have good sell through so that there's some longevity to the product.

Q And so you can sell it anywhere and not simply in one market?

A Right.

Q Okay.

I'd like to talk now a little bit just about just the factual kind of history of your relationship with Trans World Entertainment. And I'll refer to Trans World Entertainment just as Trans World.

A Okay.

Q Just kind of walk me through how it was that you initially came in contact, who you dealt with, you know, just the factual underpinning of the relationship.

A Okay.

A lot of the initial contact was by one of my salespeople.

Q I'm sorry. Who was that?

A David Tomlinson.

And as I recall, as with any other company that we were interested in selling to -- obviously we would like to sell to all of the record store chains. And so, we would do mailings or we'd, you know, make contact at trade shows, if we could, that sort of thing. It was just a regular -- a regular campaign to let the record stores know that we were there and that we'd like to put our product in the stores, that sort of thing.

Trans World actually contacted us with a proposal. They --

Q Could I ask you: Do you recall when that was?

A It was, I think, around early 1999, maybe late '98, if I recall correctly.

Q They contacted David Tomlinson?

A I don't recall who actually talked to them first. I do -- it seems to me that they made a phone call to us. Whether he took the call or I did, I don't recall. Or someone else.

But -- and as I recall, they had an interest in putting our product in their stores, and they seemed to have a dilemma where one of our competitors had product in their -- Sound Choice is the competitor, and were refusing to take product back that Trans World was trying to return. And so, they asked us if we would be interested in being the exclusive Karaoke product in their store in exchange for taking that product that wasn't ours.

Q Okay. Let's just back up one step.

A Sure.

Q Do you know how Trans World found out about Priddis Music? Was it through a mailing, or did you ever know that, or --

A I don't know. I just -- like I said, I just know that we regularly solicited new business.

Q Okay.

And Sound Choice was a competitor of yours?

A Yes.

They also requested that we put in our own displays, which was an investment; so, we also felt like the fair thing to do would be to require that they, you know, at least buy enough product to cover the cost of those displays and, again, to give us some income. They were asking us to take a very large -- to make a very large investment to replace all that product, put the displays in; so, we felt like -- you know, with it being a large organization, we felt that it was probably a safe risk to take to make that investment. And also, we felt like they needed to have some sort of agreement that laid all of that out.

Q And actually, the contractual relationship between Priddis and Trans World, there's actually three separate agreements, correct?

A There's actually lots of agreements, but --

Q Okay. We'll get to all of them.

A Okay.

Q And we'll go over some of the terminology for the agreements, and I'll be showing them to you --

A Okay.

Q -- and discuss them.

But before we do that, I'd like to just

establish -- so, it was in 1999 that the first contractual relationship with Trans World began?

A As I recall.

Q Okay.

Now, I'd just like to go over just some definitions, if we could. Looking at some of the documents, I just want to be sure that I'm familiar with things.

In the documents, often there's things referred to as an RA, capital R, capital A. What is that?

A Return authorization number.

Q Okay.

That's something supplied by Priddis Music?

A Yes.

Q Okay.

And what about an RAR?

A That's a term that Trans World used. But if I understand it correctly, it's a return authorization something. I don't know what the extra R means.

Q It could be request?

A Could be.

Q Okay.

Q Okay. Let me ask you this: Is it your position that every time Trans World returned product, that that was a breach of the agreement?

A No.

Q Okay. So, it's something less than all of the returns. Is that correct?

A I don't know that I -- the way that question is asked, I'm not sure I can answer that.

I think all of the returns are involved in this whole issue, yes.

Q Can you look at this document and establish for me which one of these numbers or which one of these entries is a breach of the agreement?

A Again, we're on two different wave lengths here.

But if you want to go on the last page, and you look at the column that says, second quarter 2003, and you look at the very bottom, the Total Quantity Ordered was 42,000 and the Total Count Returned was 40,000; and you go to the next column, you know, and they reordered, again, 40,000. If you look at the first quarter 2003, they had just finished returning -- I mean, you could start first quarter 2003. They order

30-, then they return 47-. Next one they order 42,000, they return 40-, they order 39,000. That's the picture we're trying to show you. So --

Q I'm asking whether you can point to me which one of these returns was a breach and which one was a legitimate return under the contract.

A I think we're on two different wave lengths here.

Q Okay.

A So, I'm showing you what's happening here. For you to say give me a specific date, I can't, no.

Q Can you tell me when the breaches began? What quarter they began? What year they began?

A I would say that it really started showing up in a big way the fourth quarter of 2001.

Q And the numbers at the bottom of those columns are --

A Yeah. They ordered 63,826 and returned 65,452. They order the same amount as they return. And then the next quarter they order the same amount as they return.

Q So, before the fourth quarter of 2001, is it your position --

A So, here's the issue: If you want to know how I'm looking at this, they used the first portion here (indicating) to start building up inventory, right? They have large amounts that they purchase. They are returning amounts, but they're not huge amounts. Once they get that level of inventory, now they can start this process of ordering the same amount as they return. So, they're able to sell product, but they're able to keep everything turned around so they don't ever have to pay anything. But they first had to build up the inventory to get to a level where they could start doing this process.

Q But they were paying things all along, correct? They were making payments all along?

A Not very well. But they were making some payments.

Q I mean, if we look at the documents, that spreadsheet that we were looking at before --

A What item?

Q I'm sorry. 7330, which I believe is -- I don't have the number.

A It is 6?

Q The payments column at the bottom,

$3,088,350. I mean, over the course of the life of the contract, you collected at least that amount, correct? That's what that number represents?

A Well, you're only showing a part of the picture here. The purchased amount was 6 million; so, you're saying they only paid me half.

Q Well, I'm talking about whether --

A No. They didn't make payment very well, no.

Q Did they make payment of over $3 million?

A They did. But that's irrelevant because you have to look at how much they purchased.

Q Okay. But you got the product back when they returned, right?

A What's that?

Q When they returned the product, you got the product back, correct?

A If you're talking about actually -- actual returned product, not -- a little -- you know, phantom returns, where they said, we're thinking of returning it; so, no, I didn't get payment, nor did I get product most of the time because they said, we're not paying you and we're thinking of returning this product and we're just going to keep it for a while until we decide to send it back. And then sometimes they would not send it back and go, oh, well, we were just kidding. Then they'd put it back on the check.

Q So, then you were paid for that product, correct?

A Some months down the road.

Q But you were paid for that product that they didn't return?

A Sometimes.

Q Okay.

And sometimes they returned product?

A Sometimes, yes.

Q Okay.

Let's look at -- so, going back to the fourth quarter of 2001, you indicated that that -- your allegation, that's when the --

A Are we back on Exhibit 12?

Q Yeah. I'm sorry. Exhibit 12.

So, is it your position that that's when the breaches started, in the fourth quarter of 2001?

A That's when we actually --

MR. HALL: I'm going to object to the form.

You can answer that.

THE WITNESS: That's when we actually started really seeing the pattern that was happening. As I said, it was building up to that point. They had to build up inventory before they could actually start the program.

Q (By Mr. Tietjen) So, anything before the fourth quarter of 2001, Trans World was not in breach of the contract?

MR. HALL: Objection. His testimony is it was a cycle.

Q (By Mr. Tietjen) You can answer.

A Are we speaking specifically about this order/return cycle, or just overall?

Q Well, when you say "order/return cycle," I mean, that's your allegation of the breach, correct?

A Of one of the breaches, yeah.

Q Okay.

So, for that breach, I'm just trying to find out, figure out when Trans World breached, according to that theory.

A Well, I think if they knew what they were doing and were building up inventory, then they breached it right from the start. But we didn't discover it until we started seeing this in fourth quarter 2001. That's when we could really start seeing it.

But I think they had it planned out from the start. So, if they had it planned out from the start, then I'd say it was a breach from the beginning.

Q Even though their actions weren't a breach of the contract?

A Yeah. I answered the question.

Q Well, I'd like to know when their actions breached the contract, aside from what you might think that their intentions were.

A Yeah. I would say that that -- at that time, that's about when I would say that it was indicated that they were in breach, yes --

Q Okay.

Let's take a look at --

A -- on that particular item, the order/return cycle.

Q Okay. Let's take a look at Defense Exhibit 13. And this is, again, somewhat ministerial. I'm just trying to figure out what the spreadsheets mean.

Q Okay.
Did you review the Complaint before it was filed?
A I believe I did, yes.
Q Did you agree with everything that was in it?
A I believe I did.
Q Okay.
Let's take a look at paragraph 11 of the Complaint, please. And paragraph 11 indicates that "On or about May 25th, 1999, Priddis and Trans World entered into a written agreement regarding Priddis' buyout of Sound Choice's product from Trans World, hereinafter referred to the buy-out agreement."
Does that paragraph 11 refer to what we have marked as Exhibit 16?
A Well, the dates are the same.
Depends on whether there's another agreement, you know, by that date, but ...
Q Do you know of another agreement by that date?
A I'd have to look at the agreements. I didn't bring my folder with me.

(Mr. Gellhaus and Mr. Gregg enter the room.)

MR. TIETJEN: Off the record.

(Discussion off the record.)

Q (By Mr. Tietjen) Mr. Priddis, all I'm trying to do is -- what I'm trying to do is establish that the document marked as Exhibit 16 is the document that's before referred to as the buyout agreement.

A It appears to be.

Q Okay.

And what I'd like to do now is just kind of walk through some of the terminology and, you know, get that on the record.

If you look at the -- before we go, you drafted this agreement. Is that correct?

A Yes.

Q Okay.

And you drafted it on behalf of Priddis Music?

A Yes.

Q The second paragraph down from the start says -- the second sentence says, "A regular program, carry only our 50 best selling CDs and cassettes in stock initially with a mix of 60 percent and 40 percent CDs. As we add new releases, we will notify you and you may want to add them to your inventory. Other titles may be special order by your customers."

Could you just explain to me that language and what it signifies?

A Well, I'm saying that I think they ought to sell our -- carry our best sellers. As we get new releases, I suggest they add it. I mean, I think it says what it says.

Q Okay.

Let's look at the next paragraph. "We will trade your on hand Sound Choice stock straight across for our product piece by piece with our 50 best selling titles."

Was the trade out restricted to those 50 titles, or was that just a suggestion?

A That was a suggestion. What they actually ordered may have been different. We had to -- you know, we had to get a purchase order from them.

Q Right. Okay.

And then the next paragraph, the short paragraph, "The trade out product, Priddis CDs and cassettes, may not be returned for cash credit. However, they may be exchanged for other Priddis titles."

Can you just explain that to me?

A We were not able to accept the Sound Choice -- the competitor's product and, in return, give cash credit, meaning that if Trans World owed us some money, they couldn't use the Sound Choice returns against the money that they owed us.

Q So, in other words, Trans World will give you a Sound Choice CD and you would give a Priddis CD?

A Right.

Q The next paragraph, it says, "In addition to the trade out, we will ship you a total of 1,000 units payable on regular net 60 or 60-day EOM terms."

Could you just explain to me what the net 60 or 60 OEM terms means?

A Actually EOM.

Q I'm sorry.

A It means end of month.

So, that was an option for them. They could

Q -- it says, "$99,265.63, an excessive credit taken for the return of Sound Choice product under the buyout agreement." Do you see where that is?

A Yes.

Q I'm trying to reconcile -- well, I'm trying to figure out how that number was calculated.

A I don't know. Probably be a good question for Lanie.

Q Okay. So, Lanie, to your knowledge, is the person involved in the computation of damages?

A She may be able to answer your question.

Q Okay. Okay. You can put that aside.

MR. TIETJEN: I'm going to mark as --

THE WITNESS: May I go back to --

MR. HALL: No.

THE WITNESS: No. Okay.

MR. TIETJEN: -- Defense Exhibit 19, it is a copy of a document which is Bates numbered TWEC 000247, and it purports to be a point of sale display agreement.

(Defendant's Exhibit Number 19 was marked for identification.)

(Discussion off the record.)

Q (By Mr. Tietjen) Okay. Have you had a chance to review the document?

A Yeah. I've seen this.

Q Okay.

A Go ahead.

Q What is this document?

A This was something that I wrote up that -- because they were asking us to make a large investment in displays for their stores. I wanted to guarantee that they would be used well and that we would be able to recoup our costs.

Q Okay. You drafted this document --

A Yes.

Q -- on behalf of Priddis Music?

A Yes.

Q And that's your signature at the bottom?

A Yes.

Q And you signed on behalf of Priddis Music?

A Yes.

Q If you look at paragraph 18 of the Complaint -- you can keep that out, as well.

Is this, in fact, the document referenced in paragraph 18?
A Yes. I believe it is.
Q Okay. Just want to talk a little bit about some of the terms.
Is this type of agreement something that is unique to Trans World, or is this something that you entered into with other parties? Obviously not this specific document, but a point of sale agreement.
A Just depends. If it was a larger account like this, I might enter into an agreement because they're asking for a big investment.
Q So, this was not necessarily unique to Trans World?
A This particular agreement was, but the idea, probably not.
Q Okay.
Do you supply display racks for other customers?
A Yeah. With certain stipulations.
Q Okay.
Is it standard for Priddis to supply display racks for retail stores?

A Not on a large scale, but occasionally we will.

Q Could you describe what you claim to be Trans World's breaches of this agreement?

A Well, one of the things that they did was to put other people's product on our displays.

Q Okay.

A So, that was a breach.

Q What's your basis of knowledge for that allegation?

A Visiting some local stores.

Q Which stores were they?

A There was one in Utah we visited. When we would travel, we would visit their stores.

Q When you say "we," who does that include?

A "We" being, you know, myself and salespeople going to trade shows, that sort of thing.

Q And you personally witnessed other product on your displays?

A Yes.

Q And did you bring this to Trans World's attention?

A Yes.

Q What was their response?
A They didn't really do anything about it.
Q Okay.
Did you claim at that point that this was a breach of the agreement?
A Did I tell them it was a breach?
Q Yes.
A I believe I did.
Q Okay. Are you aware of any documents that memorialize that?
A Probably would be e-mails.
Q Those e-mails would have been produced in this action?
A Yes.
Q Okay.
Are there other ways that Trans World breached this agreement?
A Well, part of the agreement was that they would buy enough product to cover the cost of the displays.
Q Can you show me in the agreement where it says that?
A Number 3, "Buyer agrees to continue its best

efforts in purchasing and selling vendor product until enough product has been purchased to fill all displays."

Q It says "to fill all," not to cover the cost, correct?

A Well, we figure if you fill it, it covers the cost.

Q The document itself says to fill the displays?

A Yes.

Q Is there anywhere else in the agreement that you can point to?

A For what?

Q For the proposition that one of the terms was that they would buy enough product to cover the cost of the displays.

A I'll retract that and say that they would purchase enough to fill the displays.

Q Okay. And is it your position that Trans World did not do so?

A Well, the position is that they really didn't purchase enough product to fill the displays after all the returns and non-payment, and there wasn't enough

purchased to fill all the displays.
Q Is there anywhere in this document that you can point to that says that returns do not count as purchases?
A Well, I think it's understood business practice if you return something, it's no longer purchased.
Q Let's take a look at -- let's see. This is one of the big spreadsheets, 13. Could you find that?
A Yeah. Go ahead.
Q Okay.
If you look at the top in any one of the columns, there's two columns, Purchased and Returned.
A Uh-huh.
Q Okay.
How did you mean the word "purchased" in these spreadsheets?
A Better term would have been ordered.
Q But that's not the term that you used?
A No. It's not.
Q At the time you entered into the point of sale display agreement, which is Exhibit 19, was it ever discussed with anyone at Trans World that

purchases would not include product that was returned?

A Well, I think, as I said, it's clearly understood that a returned product is not purchased product. We happened to use the wrong term on this spreadsheet. I don't think it changes the meaning of what purchased item is.

Q You said "clearly understood," but my question was, was it ever discussed with anyone at Trans World?

A That -- the meaning of the word "purchased"?

Q That a purchased item would not include an item that was subsequently returned.

A I never discussed it in that way, no.

Q And after it became clear that Trans World was returning items that it had purchased, did you ever bring it to their attention that that action was in breach of the point of sale agreement?

A I would say yes. I believe we did.

Q And where did you do that?

A Would have been through phone calls, through e-mail.

Q Phone calls with who?

A With the buyer.

What did you understand that to mean?
A That we were to send an invoice to the home office for each order.
Q Okay.
Is that invoice, is that what -- throughout your cOmplaint, is that proof of purchase -- I'm sorry, proof of delivery?
A I don't understand what you mean by that.
Q Okay. We'll come back to that.
Continuing down, it says "Return Policy," and then there's an X. Do you see that?
A Yes.
Q Okay.
And it says, "100 percent returnables, no exceptions," open paren, "regular orders," close paren. Then "50 percent returnables" scratched out.
Do you see that?
A Yes.
Q Did you fill that out?
A Yes.
Q What was your understanding of that term when you filled it out?
A They were able to return 100 percent of the

product --

Q Okay.

A -- on regular orders, which meant other than swap deals or special deals.

Q In other words, not the buyout?

A Right.

Q Under that there's another X that says, "Other, explain," and then written in is, "Competitor trade out items exchangeable only."

A Yes.

Q That's going back to the original, the buyout agreement. That was what you agreed with Trans World, correct?

A Right.

Q If we go down, next it says, "Anticipated purchases, buyer use." Do you see where it says that, $100,000 annual?

MR. HALL: There's a hole punched through it.

MR. TIETJEN: I apologize.

Q (By Mr. Tietjen) Do you recall that term?

A No.

Q Did you write in $100,000?

it more of competitors' product than Priddis product?

A Didn't appear to be, no.

Q Put that aside.

MR. TIETJEN: Going to mark as Defense Exhibit 22 a document with Bates number TWEC 000173.

(Defendant's Exhibit Number 22 was marked for identification.)

THE WITNESS: Go ahead.

Q (By Mr. Tietjen) Okay.

Mr. Priddis, have you seen this document before?

A Yes.

Q What is this document?

A This is something that I never quite understood, either. Each year, some random time, Trans World would demand a new program letter.

Let's see. It says, "This letter is to recap our program for this current year." And they would demand this before they would make a payment to us. The odd thing is that this is for the year 2003, and I'm signing it in July of 2003, end of July.

So, they would send this to me by e-mail, and they had it all filled out for me, and they would demand that I sign it before they would send us a payment.

Q Is that your signature at the bottom?

A It is.

Q And you signed on behalf of Priddis Music?

A I did.

Q If we look at the terms, it says, "Prepaid freight direct to DCs," and there's a Y there. Does that Y indicate yes --

A Yes.

Q -- that you agreed with that term?

A Yes.

Q Explain that term to me, please. Is that different than something you had agreed to in the past?

A That one is -- I believe it was the same, prepaid freight. Yeah, we'd agreed to that.

Q Okay.

And going down, the next one is Co-op Slotting Fee, and there's nothing there, correct?

A Correct.

Q Is that a term that you would have ever

discussed or agreed to?
A No.
Q Going down to 100 percent returnable for credit, and there's a Y.
A Yes.
Q Does that indicate yes --
A Yes.
Q -- that you agreed to that term?
A Yes.
Q Okay.
And that was the same as the 1999 vendor agreement, that term?
A Yes.
Q And then there's a star, handwritten star, and it says, "Other: 16 percent rack placement fee based on net sales, total sales after returns are deducted."
Could you explain that to me, please?
A They -- Trans World some time along the way, I don't know if it was 2001 or so, 2000, 2001, sent us a letter and said that we're now requiring 15 percent of all sales to be deducted as a rack placement fee, and they said that if you don't agree to this, then,

you know, we'll go to your competitors to get their product and carry it instead. So, we were basically forced to agree to this rack placement fee, they called it. I think it says to -- says we're going to take some extra money.

Q But you agreed to it?

A Had to, yeah.

Q Okay. You can put that aside.

Turn to the Complaint, which is -- let's go to the Complaint, paragraph 30.

A Okay.

Q All right?

It says, "Beginning at approximately mid-2000 and continuing through 2003, Trans World used various schemes described below to extend its payment terms, withhold payments from Priddis and manipulate its books to make it appear as though Priddis owed it money rather than vice versa."

Is it your position that -- let me ask you this: In the spreadsheets that we looked at before, earlier, earlier today, the spreadsheets that were produced in your response to interrogatory responses, would they support this paragraph?

Q And the sentence reads, "Your company treats returns in place of cash as on-time payment. There seems to be no budging on that policy. So, after much discussion, we have agreed to allow the 2 percent discount on returns as well, if the returns, return requests are received by us on time according to the payment terms."

You see where it says that?

A Yes.

Q Does that refresh your recollection as to whether Priddis ever agreed to allow a 2 percent discount on returns?

A This was under -- this was under duress. It was -- you know, these guys were -- at the beginning of the paragraph it says, "We've struggled with the way the finances seem to be manipulated. We've been concerned by the 2 percent discount taken on payments."

I'm complaining about it, and I've wrestled with them, but it seems to be the only way that we'll get payment.

Q So, you did agree to it?

A So, finally I agreed under certain circumstances. And that one is that returns and return requests are received by us on time. But that still didn't happen.

Q Okay.

But with that qualification, you agreed to allow a 2 percent discount on returns?

A Yes.

Q And after this, and this is November 30th, 2001, you continued under the contract? You continued to ship product --

A I continued to ship product to them, yes, off and on.

Q And you continued to accept payment from Trans World?

A If they would send it.

Q And when they did send it, you accepted it?

A Yes.

Q If you look at Page 64 of the Complaint -- I'm sorry, Page 11, paragraph 64.

A Okay.

Q Okay?

That seems to reference a payment in the document we were just looking at.

A Yes.

Q Okay. And I think you had pointed that out.
Do you see on Exhibit 23 -- I assume it says approximately 86,000, so I'm assuming that the number is the 85,997?
A Yes.
Q And it says at the bottom of paragraph 64 --
A Uh-huh.
Q -- "Nonetheless, TWC," Trans World, "still took the 2 percent discount on the 86,000 anticipated return."
Do you see where it says that?
A Yes.
Q And I'm looking back at Exhibit 23, and in the discount column it has zero.
A Well, it's possible that -- that it's one of these other coded things here.
You'd have to ask Lanie how that worked, but it's possible that it's included in one of these others instead of being in the discount column.
Q I'm sorry. I don't understand. You're saying the discount might be included?
A It might be entered as one of these other items, these charge back or credit memos.

EXHIBIT J

priddis

PRIDDIS MUSIC, INC.

To: Russ Kellar/Sara Gleason- Trans World Entertainment

This letter is to recap our program with TWEC for 2003:

Product Description: KARAOKE CD & DVD

Payment Terms: 2% 60 Days

Prepaid Freight direct to DCs: ____Y____

Co-Op/Slotting Fee: ________

Volume Rebate Tier: ________

100% Returnable for credit: ____Y____

EDI Compliant: ____Y____

* Other: 16% Rack Placement Fee, based on NET sales (total sales after returns are deducted)

Signed ____________________
RICHARD PRIDDIS. - PRES.
7/29/03

This letter is to be used in conjunction with the vendor agreement forms previously signed for by **Priddis**. Any amendments to the program must be mutually agreed upon by both parties.

P.O. Box 345 Pleasant Grove, UT 84062-0345 | Phone: (800) 326-3062 | Fax: (801) 785-6705 | Email: sing@priddis.com | Web: www.priddis.com

EXHIBIT K

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LOREN D. MARTIN (2101)
MARTIN & NELSON, PC
An Association of Professional Corporations
139 East South Temple, Suite 300
Salt Lake City, Utah 84111-1611
Telephone: (801) 538-0066
Mobile Phone: (801) 860-6400
Fax: (801) 538-0073

SCOTT W. LEE (4750)
RANDLE, DEAMER & LEE, P.C.
139 East South Temple, Suite 330
Salt Lake City, Utah 84111-1169
Telephone: (801) 531-0441
Fas: (801) 531-0444

Counsel for Plaintiff

IN THE THIRD JUDICIAL DISTRICT COURT
SALT LAKE COUNTY, STATE OF UTAH

450 So. State Street Salt Lake City, Utah 84111

PRIDDIS MUSIC, INC, Plaintiff, v.	COMPLAINT
TRANS WORLD ENTERTAINMENT, INC., Defendants.	Case No: Judge:

Plaintiff, Priddis Music, Inc. ("Priddis"), for cause of action against Defendant, Trans World Entertainment Corporation ("TransWorld") and alleges and states as follows:

JURISDICTION AND VENUE

1. Priddis is a Utah Corporation, in good standing, with its principal place of business at Lindon, Utah County, State of Utah.

2. Priddis manufactures and markets karaoke music products.

3. TWEC is a New York Corporation, in good standing, with its principal place of business at 38 Corporate Circle, Albany, NY 12203.

4. TWEC operates retail music and entertainment stores throughout the United States, doing business under the name of "FYE – For Your Entertainment."

5. Three TWEC stores are located in the State of Utah, one of which is identified as "FYE #1232" located at South Towne Center, 10450 S. State St. #1248, Sandy, UT 84070-3123.

6. The court has jurisdiction pursuant to U.C.A. §78-3-4.

GENERAL ALLEGATIONS

7. Beginning in 1999 TWEC requested that Priddis manufacture and supply certain materials and supplies for all TWEC stores.

8. The agreement was negotiated and a contract of sale resulted.

9. Transfer of title was upon acceptance.

10. Performance under the agreement commenced in 1999.

11. Shipments made during 1999 were to meet TWEC's initial stocking requirements under the contract. Consequently, Priddis books reflect relatively small receipts for the 1999 calendar year.

12. During 1999-2000 Priddis filled and shipped all TWEC orders and TWEC made timely payments therefor.

13. Commencing at about the beginning of 2001 the TWEC relationship and conduct changed. That change was such that by the end of 2004 Priddis determined that it must conduct extensive audits to determine the amount and nature of its losses and damages.

14. From analysis after audit Priddis believes and therefore alleges that TWEC's conduct not only reflects lack of good faith but that such conduct was also willful and malicious, consistent with a TWEC pattern of dealing and conversion.

15. Acting upon that belief, Priddis cancelled the contract near the end of 2004, declining to make further shipments.

16. That audit of for the years 2001-2003 reflects the following:

Financial Audit Summary of Accounts:

Orders Filled 1999-2004	$	6,192,198.76
Payments Made 1999-2004	$	(2,867,261.74)
On-Time Payment Discounts	$	(55,273.51)
Advertising Credits	$	(514,412.97)
Distribution Center Fees	$	(6,993.75)
BALANCE DUE	$	**2,748,256.79**

17. Demand has been made but nothing has been received.

PRAYER FOR RELIEF

WHEREFORE, Priddis prays that this court enter judgment as follows:

A. Judgment for violation of contract for Priddis of an amount that will put Priddis in as good a position as Priddis would have been in had there been no breach;

B. Judgment for Priddis in the amount of $2,748,256.79, for the price of goods sold and accepted but not paid;

C. An award of damages for conversion, willful and malicious conduct as the court may determine;

D. Judgment for Priddis sufficient to pay its attorney fees and costs plus such additional amounts as may be required in pursuit of collection of judgment;

E. Prejudgment and post-judgment interest as provided by law; and

F. Enter its order that JUDGMENT SHALL BE AUGMENTED IN THE AMOUNT OF REASONABLE COSTS AND ATTORNEYS FEES EXPENDED IN COLLECTING SAID JUDGMENT BY EXECUTION OR OTHERWISE AS ESTABLISHED BY AFFIDAVIT; and

G. Such additional and further relief as the court deems just.

DATED: June 25, 2004

Martin & Nelson, PC
Counsel for Plaintiff

By: ______________________
Loren D. Martin
Attorney at Law